

Automotive Dealer

Pallisimo Motors

123 Canal St.
New York, NY 10013

BizPlanDB.com

Pallisimo Motors Inc. is a New York based corporation that will provide sales of pre-owned cars to customers in its targeted market.

1.0 EXECUTIVE SUMMARY

The purpose of this business plan is to raise \$255,000 for the development of a automotive dealership while showcasing the expected financials and operations over the next three years. Pallisimo Motors Inc. is a New York based corporation that will provide sales of pre-owned cars to customers in its targeted market. The Company was founded in 2010 by Joe Pallisimo.

1.1 The Dealership

The business is actively involved with the sale of quality used cars that have low mileage and are no more than 5 years old. The Company will specialize in offering pre-owned cars that are approximately two to four years in age and have mileage that does not exceed usage of 15,000 miles per year.

The Company will use several online marketing channels to quickly turn over the Company's inventory. Once the business receives its needed capital infusion, the Owner will develop an online eBay Motors account from which to conduct nationwide auto sales.

The third section of the business plan will further describe the vehicles offered by Pallisimo Motors.

1.2 Financing

Mr. Pallisimo is seeking to raise \$255,000 from as a bank loan. The interest rate and loan agreement are to be further discussed during negotiation. This business plan assumes that the business will receive a 10 year loan with a 9% fixed interest rate. The financing will be used for the following:

- Development of the location.
- Financing for the first six months of operation.
- Capital to purchase automotive inventory.

Mr. Pallisimo will contribute \$10,000 to the venture.

1.3 Mission Statement

The mission of Pallisimo Motors is to become the recognized leader in its targeted market for pre-owned car sales and car services.

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1.4 Management Team

The Company was founded by Joe Pallisimo. Mr. Pallisimo has more than 10 years of experience in the auto sales industry. Through his expertise, he will be able to bring the operations of the business to profitability within its first year of operations.

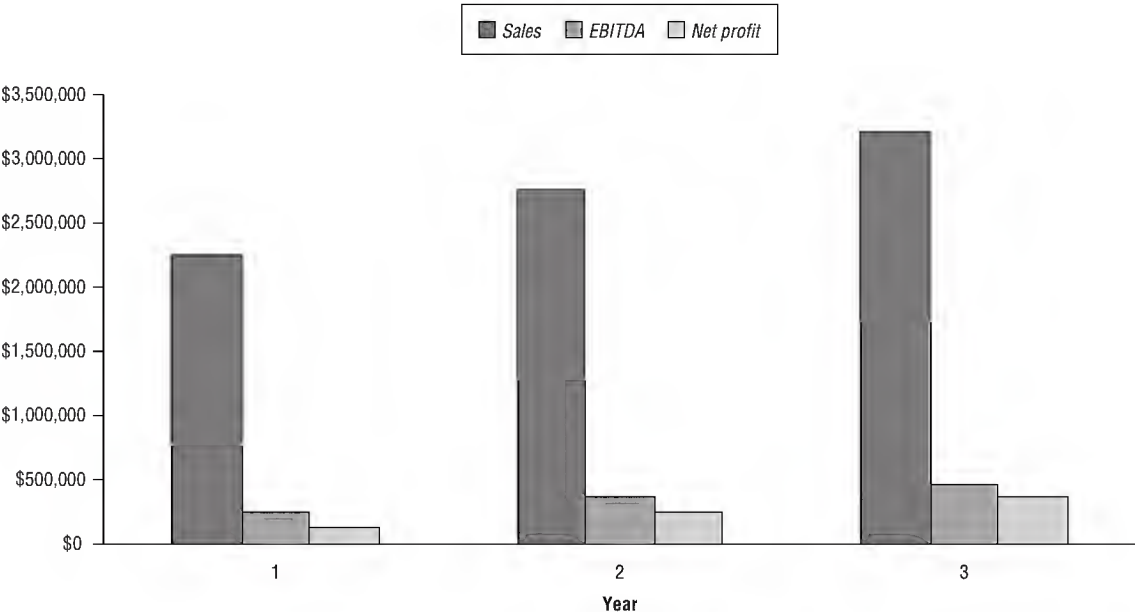
1.5 Sales Forecasts

Mr. Pallisimo expects a strong rate of growth at the start of operations. Below are the expected financials over the next three years.

Proforma profit and loss (yearly)

| Year | 1 | 2 | 3 |
|-----------------------------------|-------------|-------------|-------------|
| Sales | \$2,473,800 | \$2,968,560 | \$3,473,215 |
| Operating costs | \$ 579,977 | \$ 615,947 | \$ 652,859 |
| EBITDA | \$ 344,443 | \$ 493,357 | \$ 645,027 |
| Taxes, interest, and depreciation | \$ 169,955 | \$ 217,117 | \$ 273,703 |
| Net profit | \$ 174,488 | \$ 276,240 | \$ 371,324 |

Sales, operating costs, and profit forecast



1.6 Expansion Plan

The Founder expects that the business will aggressively expand during the first three years of operation. Mr. Pallisimo intends to implement marketing campaigns that will effectively target individuals within the target market.

2.0 COMPANY AND FINANCING SUMMARY

2.1 Registered Name and Corporate Structure

Pallisimo Motors, Inc. is registered as a corporation in the State of New York.

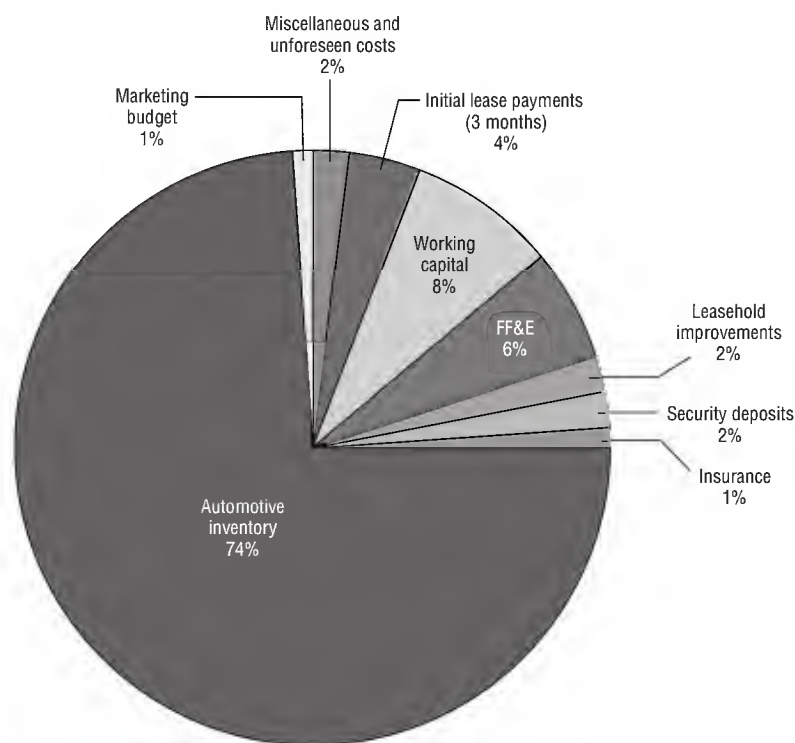
2.2 Required Funds

At this time, Pallisimo Motors requires \$255,000 of debt funds. Below is a breakdown of how these funds will be used:

Projected startup costs

| | |
|------------------------------------|------------------|
| Initial lease payments (3 months) | \$ 10,000 |
| Working capital | \$ 20,000 |
| FF&E | \$ 15,000 |
| Leasehold improvements | \$ 5,000 |
| Security deposits | \$ 5,000 |
| Insurance | \$ 2,500 |
| Automotive inventory | \$200,000 |
| Marketing budget | \$ 2,500 |
| Miscellaneous and unforeseen costs | \$ 5,000 |
| Total startup costs | \$265,000 |

Use of funds



2.3 Investor Equity

Mr. Pallisimo is not seeking an investment from a third party at this time.

2.4 Management Equity

Joe Pallisimo owns 100% of Pallisimo Motors, Inc.

2.5 Exit Strategy

If the business is very successful, Mr. Pallisimo may seek to sell the business to a third party for a significant earnings multiple. Most likely, the Company will hire a qualified business broker to sell the

business on behalf of Pallisimo Motors. Based on historical numbers, the business could fetch a sales premium of up to 4 times earnings.

3.0 PRODUCTS AND SERVICES

Below is a description of the car sales and services offered by Pallisimo Motors.

3.1 Sales of Vehicles

After receiving its capital infusion, Mr. Pallisimo anticipates that it will be able to turnover its 10 to 20 (approximate) automobile units from its inventory every month. This will allow the Company to earn a significant profit on the sale of the automobiles it sells in addition to the revenue generated from rentals during this time.

As stated earlier, the business will continue to specialize in purchasing automotive inventories that are relatively new. Management will seek to purchase vehicles that are approximately two to four years of age. The business will also seek cars that have no more than an average annual usage of 15,000 miles per year. In order to promote sales, each car will be certified by a mechanic that will ensure that the car is usable. The business may offer a three month, 3,000 mile bumper to bumper warranty for certain car sales.

3.2 Servicing of Vehicles

The Company will also offer mechanic services to people within the Company's target market. This will ensure a continuous stream of high margin income for the business. Typically, dealerships with associated mechanic shops are able to survive economic downturns because of their servicing revenues.

4.0 STRATEGIC AND MARKET ANALYSIS

4.1 Economic Outlook

This section of the analysis will detail the economic climate, the automotive sales industry, the customer profile, and the competition that the business will face as it progresses through its business operations.

Currently, the economic market condition in the United States is in recession. This slowdown in the economy has also greatly impacted real estate sales, which has halted to historical lows. Many economists expect that this recession will continue until mid-2010, at which point the economy will begin a prolonged recovery period. However, the business will be able to remain profitable and cash flow positive as the vehicle repair services offered by the business will support the underlying operating costs.

4.2 Industry Analysis

In the United States there are over 5,600 established businesses that actively engage in the sale of used automobiles. The industry employs approximately 112,000 people and generates average annual pay-rolls exceeding \$3.5 billion dollars. The industry generates approximately \$19 billion dollars on an annual basis.

The industry grows at an annual pace of 4.2%. This trend is expected to continue as the availability of the Internet has made it easier for businesses to target individuals seeking to purchase and rent automobiles. Additionally, as the nation's wealth increases, and more people demand luxury services, Management anticipates that the market will begin expand and consolidate.

Overall, the market for all pre-owned cars has had resilient growth in the last decade. The advent of the internet era has created an excellent system that fosters the fast, economically efficient sale of used

vehicles. This trend is expected to continue as the overall productivity increases with a corresponding increase in the gross domestic product.

4.3 Customer Profile

Pallisimo Motors' average client will be a middle- to upper-middle class man or woman living in the Company's target market. Common traits among clients will include:

- Annual household income exceeding \$50,000.
- Lives or works no more than 15 miles from the Company's location.
- Will spend approximately \$10,000 to \$20,000 on a pre-owned vehicle.

4.4 Competition

The Company's targeted market of the New York metropolitan area has approximately 300 automotive dealers that deal in both new and used cars. These automotive dealers consist of both affiliated and non-affiliated manufacturer dealers. The competitive advantage that the business will maintain over others dealers is the low cost infrastructure of the business so that the business can remain very flexible regarding pricing of its vehicle inventories.

5.0 MARKETING PLAN

Pallisimo Motors intends to maintain an extensive marketing campaign that will ensure maximum visibility for the business in its targeted market. Below is an overview of the marketing strategies and objectives of Pallisimo Motors.

5.1 Marketing Objectives

- Develop an online presence by developing a website and placing the Company's name and contact information with online directories.
- Implement a local campaign with the Company's targeted market via the use of flyers, local newspaper advertisements, and word of mouth.
- Establish relationships with other vehicle retailers within the targeted market.

5.2 Marketing Strategies

Mr. Pallisimo intends on using a number of marketing strategies that will allow Pallisimo Motors to easily target men and women within the target market. These strategies include traditional print advertisements and ads placed on search engines on the internet. Below is a description of how the business intends to market its services to the general public.

Pallisimo Motors will also use an internet based strategy. This is very important as many people seeking local services, such as automotive dealers, now the internet to conduct their preliminary searches. Mr. Pallisimo will register Pallisimo Motors with online portals so that potential customers can easily reach the business. The Company will also develop its own online website.

Once the business begins operations, the owner will aggressively develop an eBay account from which the Company will market the cars. Each purchaser of the Company's vehicles will be required to make a deposit on the sold vehicle and arrangements for the delivery of the car. The business will also list its vehicles on several other online used automotive forums including Autotrader.com, cars.com, and several other major online databases of used car inventories. One of the essential elements to developing this sales channel is to quickly develop the Company's online rating within auction sites like eBay. This will give the business credibility among its potential purchasers.

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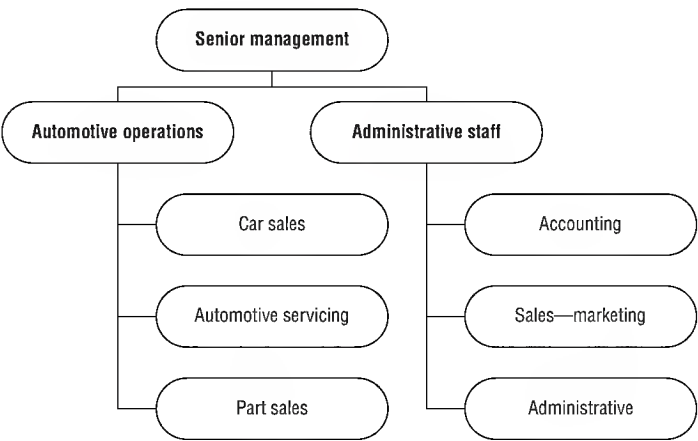
The Company will maintain a sizable amount of print and traditional advertising methods within local markets to promote the vehicles that the Company is selling.

5.3 Pricing

The automobiles sold by the business will carry a sales price of \$5,000 to \$30,000 depending on the make and model of the car. The business will earn about \$75 per hour on labor related to servicing vehicles.

6.0 ORGANIZATIONAL PLAN AND PERSONNEL SUMMARY

6.1 Corporate Organization



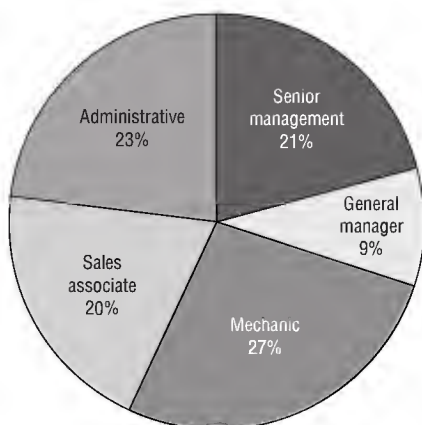
6.2 Organizational Budget

Personnel plan—yearly

| Year | 1 | 2 | 3 |
|-------------------|-----------|-----------|-----------|
| Senior management | \$ 80,000 | \$ 82,400 | \$ 84,872 |
| General manager | \$ 35,000 | \$ 36,050 | \$ 37,132 |
| Mechanic | \$ 97,500 | \$100,425 | \$103,438 |
| Sales associate | \$ 75,000 | \$ 77,250 | \$ 79,568 |
| Administrative | \$ 88,000 | \$ 90,640 | \$ 93,359 |
| Total | \$375,500 | \$386,765 | \$398,368 |

Numbers of personnel

| | | | |
|-------------------|----|----|----|
| Senior management | 2 | 2 | 2 |
| General manager | 1 | 1 | 1 |
| Mechanic | 3 | 3 | 3 |
| Sales associate | 6 | 6 | 6 |
| Administrative | 4 | 4 | 4 |
| Totals | 16 | 16 | 16 |

Personnel expense breakdown

7.0 FINANCIAL PLAN

7.1 Underlying Assumptions

The Company has based its proforma financial statements on the following:

- Pallisimo Motors will have an annual revenue growth rate of 16% per year.
- The Owner will acquire \$255,000 of debt funds to develop the business.
- The loan will have a 10 year term with a 9% interest rate.

7.2 Sensitivity Analysis

In the event of an economic downturn, the business may have a decline in its automotive sales revenues. However, mechanic services are demanded during all economic climates and the Company will be able to generate highly predictable streams of revenue from this aspect of the business. As such, the Company will be able to retain profitability despite lagging automotive sales.

7.3 Source of Funds

Financing

Equity contributions

| | |
|-----------------------|--------------|
| Management investment | \$ 10,000.00 |
|-----------------------|--------------|

| | |
|-------------------------------|---------------------|
| Total equity financing | \$ 10,000.00 |
|-------------------------------|---------------------|

Banks and lenders

| | |
|-------------------|--------------|
| Banks and lenders | \$255,000.00 |
|-------------------|--------------|

| | |
|-----------------------------|---------------------|
| Total debt financing | \$255,000.00 |
|-----------------------------|---------------------|

| | |
|------------------------|---------------------|
| Total financing | \$265,000.00 |
|------------------------|---------------------|

7.4 General Assumptions

General assumptions

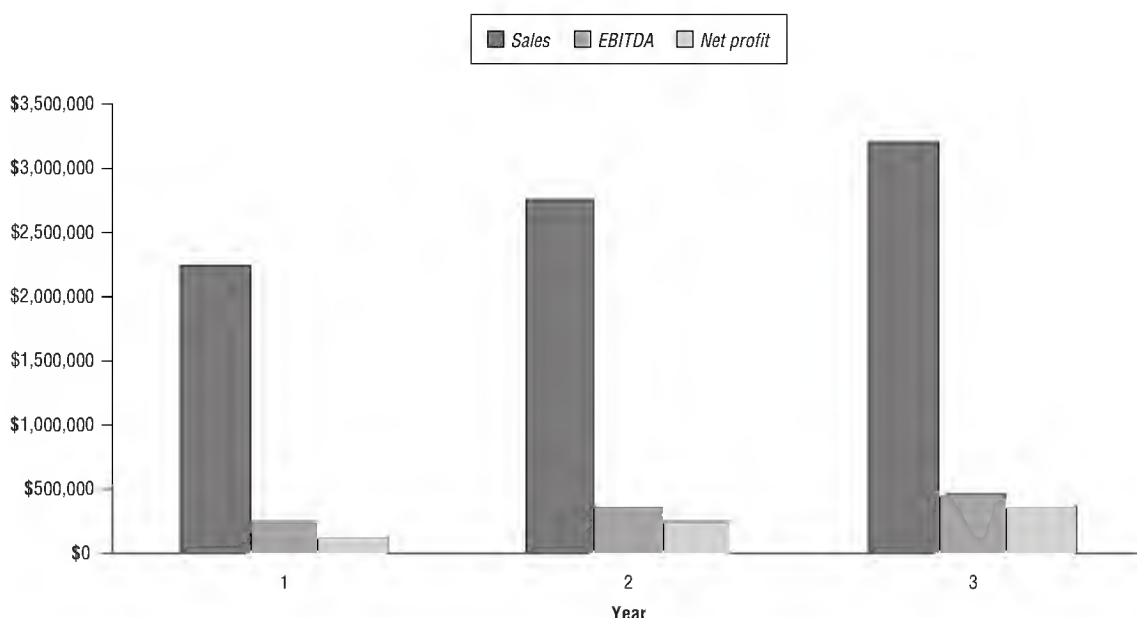
| Year | 1 | 2 | 3 |
|--------------------------|-------|-------|-------|
| Short term interest rate | 9.5% | 9.5% | 9.5% |
| Long term interest rate | 10.0% | 10.0% | 10.0% |
| Federal tax rate | 33.0% | 33.0% | 33.0% |
| State tax rate | 5.0% | 5.0% | 5.0% |
| Personnel taxes | 15.0% | 15.0% | 15.0% |

7.5 Profit and Loss Statements

Proforma profit and loss (yearly)

| Year | 1 | 2 | 3 |
|---------------------------------|-------------------|--------------------|--------------------|
| Sales | \$2,473,800 | \$2,968,560 | \$3,473,215 |
| Cost of goods sold | \$1,549,380 | \$1,859,256 | \$2,175,330 |
| Gross margin | 37.37% | 37.37% | 37.37% |
| Operating income | \$ 924,420 | \$1,109,304 | \$1,297,886 |
| Expenses | | | |
| Payroll | \$ 375,500 | \$ 386,765 | \$ 398,368 |
| General and administrative | \$ 25,200 | \$ 26,208 | \$ 27,256 |
| Marketing expenses | \$ 74,214 | \$ 89,057 | \$ 104,196 |
| Professional fees and licensure | \$ 5,219 | \$ 5,376 | \$ 5,537 |
| Insurance costs | \$ 1,987 | \$ 2,086 | \$ 2,191 |
| Travel and vehicle costs | \$ 7,596 | \$ 8,356 | \$ 9,191 |
| Rent and utilities | \$ 4,250 | \$ 4,463 | \$ 4,686 |
| Miscellaneous costs | \$ 29,686 | \$ 35,623 | \$ 41,679 |
| Payroll taxes | \$ 56,325 | \$ 58,015 | \$ 59,755 |
| Total operating costs | \$ 579,977 | \$ 615,947 | \$ 652,859 |
| EBITDA | \$ 344,443 | \$ 493,357 | \$ 645,027 |
| Federal income tax | \$ 113,666 | \$ 155,965 | \$ 206,574 |
| State income tax | \$ 17,222 | \$ 23,631 | \$ 31,299 |
| Interest expense | \$ 22,281 | \$ 20,735 | \$ 19,044 |
| Depreciation expenses | \$ 16,786 | \$ 16,786 | \$ 16,786 |
| Net profit | \$ 174,488 | \$ 276,240 | \$ 371,324 |
| Profit margin | 7.05% | 9.31% | 10.69% |

Sales, operating costs, and profit forecast



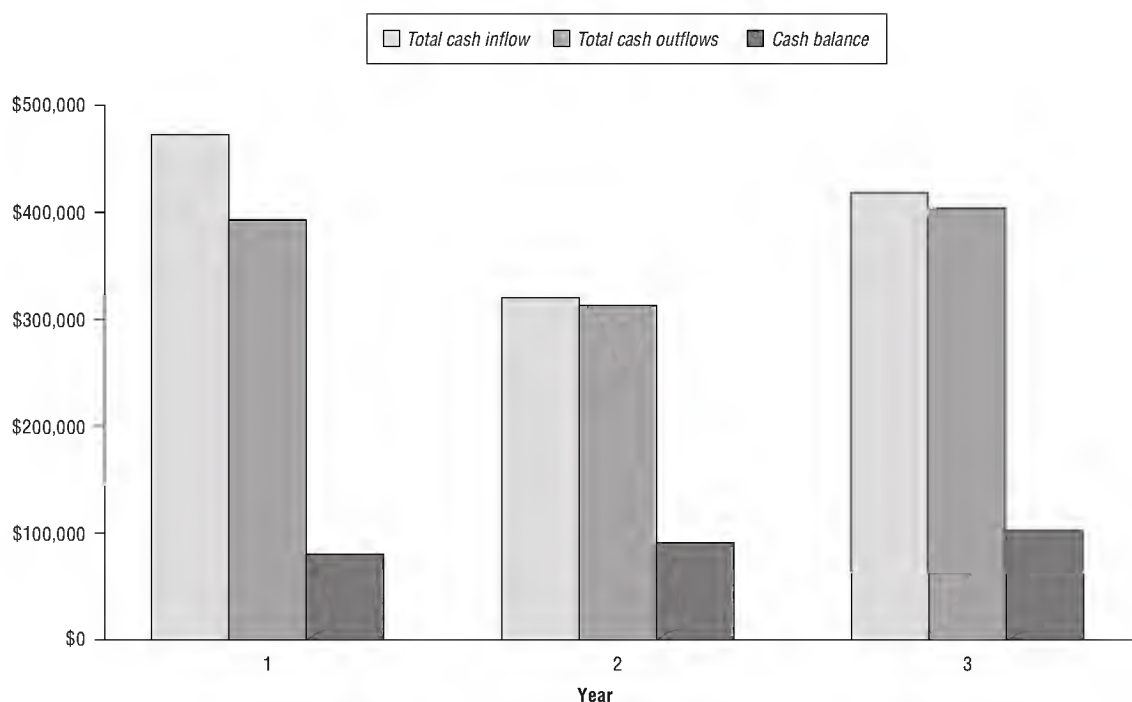
7.6 Cash Flow Analysis

Proforma cash flow analysis—yearly

| Year | 1 | 2 | 3 |
|---------------------------------|------------------|------------------|------------------|
| Cash from operations | \$191,274 | \$293,025 | \$388,109 |
| Cash from receivables | \$ 0 | \$ 0 | \$ 0 |
| Operating cash inflow | \$191,274 | \$293,025 | \$388,109 |
| Other cash inflows | | | |
| Equity investment | \$ 10,000 | \$ 0 | \$ 0 |
| Increased borrowings | \$255,000 | \$ 0 | \$ 0 |
| Sales of business assets | \$ 0 | \$ 0 | \$ 0 |
| A/P increases | \$ 37,902 | \$ 43,587 | \$ 50,125 |
| Total other cash inflows | \$302,902 | \$ 43,587 | \$ 50,125 |
| Total cash inflow | \$494,176 | \$336,613 | \$438,235 |
| Cash outflows | | | |
| Repayment of principal | \$ 16,482 | \$ 18,028 | \$ 19,719 |
| A/P decreases | \$ 24,897 | \$ 29,876 | \$ 35,852 |
| A/R increases | \$ 0 | \$ 0 | \$ 0 |
| Asset purchases | \$235,000 | \$ 73,256 | \$ 97,027 |
| Dividends | \$133,892 | \$205,118 | \$271,677 |
| Total cash outflows | \$410,270 | \$326,278 | \$424,275 |
| Net cash flow | \$ 83,905 | \$ 10,334 | \$ 13,960 |
| Cash balance | \$ 83,905 | \$ 94,240 | \$108,200 |

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Proforma cash flow (yearly)

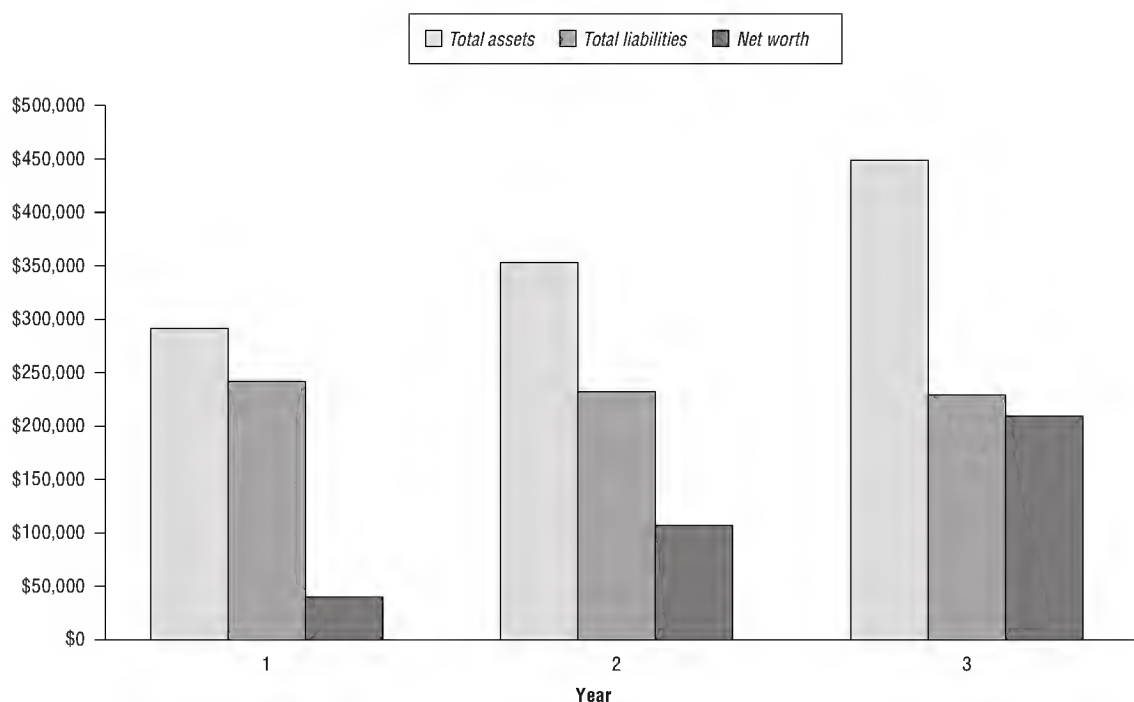


7.7 Balance Sheet

Proforma balance sheet—yearly

| Year | 1 | 2 | 3 |
|---|------------------|------------------|------------------|
| Assets | | | |
| Cash | \$ 83,905 | \$ 94,240 | \$108,200 |
| Amortized development and expansion costs | \$ 20,000 | \$ 27,326 | \$ 37,028 |
| Inventory | \$200,000 | \$254,942 | \$327,713 |
| FF&E | \$ 15,000 | \$ 25,988 | \$ 40,543 |
| Accumulated depreciation | (\$ 16,786) | (\$ 33,571) | (\$ 50,357) |
| Total assets | \$302,120 | \$368,925 | \$463,127 |
| Liabilities and equity | | | |
| Accounts payable | \$ 13,005 | \$ 26,716 | \$ 40,990 |
| Long term liabilities | \$238,518 | \$220,491 | \$202,463 |
| Other liabilities | \$ 0 | \$ 0 | \$ 0 |
| Total liabilities | \$251,523 | \$247,207 | \$243,452 |
| Net worth | \$ 50,596 | \$121,718 | \$219,674 |
| Total liabilities and equity | \$302,120 | \$368,925 | \$463,127 |

Proforma balance sheet

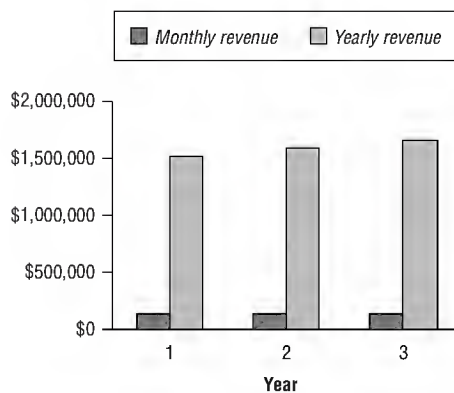


7.8 Breakeven Analysis

Monthly break even analysis

| Year | 1 | 2 | 3 |
|-----------------|-------------|-------------|-------------|
| Monthly revenue | \$ 129,338 | \$ 137,359 | \$ 145,591 |
| Yearly revenue | \$1,552,050 | \$1,648,310 | \$1,747,087 |

Break even analysis



7.9 Business Ratios

Business ratios—yearly

| Year | 1 | 2 | 3 |
|-----------------------|-------|-------|--------|
| Sales | | | |
| Sales growth | 0.0% | 20.0% | 17.0% |
| Gross margin | 37.4% | 37.4% | 37.4% |
| Financials | | | |
| Profit margin | 7.05% | 9.31% | 10.69% |
| Assets to liabilities | 1.20 | 1.49 | 1.90 |
| Equity to liabilities | 0.20 | 0.49 | 0.90 |
| Assets to equity | 5.97 | 3.03 | 2.11 |
| Liquidity | | | |
| Acid test | 0.33 | 0.38 | 0.44 |
| Cash to assets | 0.28 | 0.26 | 0.23 |

7.10 Three Year Profit and Loss Statement

Profit and loss statement (first year)

| Months | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Sales | \$133,000 | \$146,300 | \$159,600 | \$172,900 | \$186,200 | \$199,500 | \$212,800 |
| Cost of goods sold | \$ 83,300 | \$ 91,630 | \$ 99,960 | \$108,290 | \$116,620 | \$124,950 | \$133,280 |
| Gross margin | 37.4% | 37.4% | 37.4% | 37.4% | 37.4% | 37.4% | 37.4% |
| Operating income | \$ 49,700 | \$ 54,670 | \$ 59,640 | \$ 64,610 | \$ 69,580 | \$ 74,550 | \$ 79,520 |
| Expenses | | | | | | | |
| Payroll | \$ 31,292 | \$ 31,292 | \$ 31,292 | \$ 31,292 | \$ 31,292 | \$ 31,292 | \$ 31,292 |
| General and administrative | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 |
| Marketing expenses | \$ 6,185 | \$ 6,185 | \$ 6,185 | \$ 6,185 | \$ 6,185 | \$ 6,185 | \$ 6,185 |
| Professional fees and licensure | \$ 435 | \$ 435 | \$ 435 | \$ 435 | \$ 435 | \$ 435 | \$ 435 |
| Insurance costs | \$ 166 | \$ 166 | \$ 166 | \$ 166 | \$ 166 | \$ 166 | \$ 166 |
| Travel and vehicle costs | \$ 633 | \$ 633 | \$ 633 | \$ 633 | \$ 633 | \$ 633 | \$ 633 |
| Rent and utilities | \$ 354 | \$ 354 | \$ 354 | \$ 354 | \$ 354 | \$ 354 | \$ 354 |
| Miscellaneous costs | \$ 2,474 | \$ 2,474 | \$ 2,474 | \$ 2,474 | \$ 2,474 | \$ 2,474 | \$ 2,474 |
| Payroll taxes | \$ 4,694 | \$ 4,694 | \$ 4,694 | \$ 4,694 | \$ 4,694 | \$ 4,694 | \$ 4,694 |
| Total operating costs | \$ 48,331 | \$ 48,331 | \$ 48,331 | \$ 48,331 | \$ 48,331 | \$ 48,331 | \$ 48,331 |
| EBITDA | \$ 1,369 | \$ 6,339 | \$ 11,309 | \$ 16,279 | \$ 21,249 | \$ 26,219 | \$ 31,189 |
| Federal income tax | \$ 6,111 | \$ 6,722 | \$ 7,333 | \$ 7,944 | \$ 8,556 | \$ 9,167 | \$ 9,778 |
| State income tax | \$ 926 | \$ 1,019 | \$ 1,111 | \$ 1,204 | \$ 1,296 | \$ 1,389 | \$ 1,481 |
| Interest expense | \$ 1,913 | \$ 1,903 | \$ 1,893 | \$ 1,883 | \$ 1,873 | \$ 1,862 | \$ 1,852 |
| Depreciation expense | \$ 1,399 | \$ 1,399 | \$ 1,399 | \$ 1,399 | \$ 1,399 | \$ 1,399 | \$ 1,399 |
| Net profit | —\$ 8,980 | —\$ 4,704 | —\$ 427 | \$ 3,849 | \$ 8,125 | \$ 12,402 | \$ 16,679 |

Profit and loss statement (first year cont.)

| Month | 8 | 9 | 10 | 11 | 12 | 1 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| Sales | \$226,100 | \$239,400 | \$252,700 | \$266,000 | \$279,300 | \$2,473,800 |
| Cost of goods sold | \$141,610 | \$149,940 | \$158,270 | \$166,600 | \$174,930 | \$1,549,380 |
| Gross margin | 37.4% | 37.4% | 37.4% | 37.4% | 37.4% | 37.4% |
| Operating income | \$ 84,490 | \$ 89,460 | \$ 94,430 | \$ 99,400 | \$104,370 | \$ 924,420 |
| Expenses | | | | | | |
| Payroll | \$ 31,292 | \$ 31,292 | \$ 31,292 | \$ 31,292 | \$ 31,292 | \$ 375,500 |
| General and administrative | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 2,100 | \$ 25,200 |
| Marketing expenses | \$ 6,185 | \$ 6,185 | \$ 6,185 | \$ 6,185 | \$ 6,185 | \$ 74,214 |
| Professional fees and licensure | \$ 435 | \$ 435 | \$ 435 | \$ 435 | \$ 435 | \$ 5,219 |
| Insurance costs | \$ 166 | \$ 166 | \$ 166 | \$ 166 | \$ 166 | \$ 1,987 |
| Travel and vehicle costs | \$ 633 | \$ 633 | \$ 633 | \$ 633 | \$ 633 | \$ 7,596 |
| Rent and utilities | \$ 354 | \$ 354 | \$ 354 | \$ 354 | \$ 354 | \$ 4,250 |
| Miscellaneous costs | \$ 2,474 | \$ 2,474 | \$ 2,474 | \$ 2,474 | \$ 2,474 | \$ 29,686 |
| Payroll taxes | \$ 4,694 | \$ 4,694 | \$ 4,694 | \$ 4,694 | \$ 4,694 | \$ 56,325 |
| Total operating costs | \$ 48,331 | \$ 48,331 | \$ 48,331 | \$ 48,331 | \$ 48,331 | \$ 579,977 |
| EBITDA | \$ 36,159 | \$ 41,129 | \$ 46,099 | \$ 51,069 | \$ 56,039 | \$ 344,443 |
| Federal income tax | \$ 10,389 | \$ 11,000 | \$ 11,611 | \$ 12,222 | \$ 12,833 | \$ 113,666 |
| State income tax | \$ 1,574 | \$ 1,667 | \$ 1,759 | \$ 1,852 | \$ 1,944 | \$ 17,222 |
| Interest expense | \$ 1,842 | \$ 1,831 | \$ 1,821 | \$ 1,810 | \$ 1,800 | \$ 22,281 |
| Depreciation expense | \$ 1,399 | \$ 1,399 | \$ 1,399 | \$ 1,399 | \$ 1,399 | \$ 16,786 |
| Net profit | \$ 20,955 | \$ 25,232 | \$ 29,509 | \$ 33,786 | \$ 38,062 | \$ 174,488 |

Profit and loss statement (second year)

| Quarter | Q1 | 2 Q2 | Q3 | Q4 | 2 |
|---------------------------------|------------------|------------------|------------------|------------------|--------------------|
| Sales | \$593,712 | \$742,140 | \$801,511 | \$831,197 | \$2,968,560 |
| Cost of goods sold | \$371,851 | \$464,814 | \$501,999 | \$520,592 | \$1,859,256 |
| Gross margin | 37.4% | 37.4% | 37.4% | 37.4% | 37.4% |
| Operating income | \$221,861 | \$277,326 | \$299,512 | \$310,605 | \$1,109,304 |
| Expenses | | | | | |
| Payroll | \$ 77,353 | \$ 96,691 | \$104,427 | \$108,294 | \$ 386,765 |
| General and administrative | \$ 5,242 | \$ 6,552 | \$ 7,076 | \$ 7,338 | \$ 26,208 |
| Marketing expenses | \$ 17,811 | \$ 22,264 | \$ 24,045 | \$ 24,936 | \$ 89,057 |
| Professional fees and licensure | \$ 1,075 | \$ 1,344 | \$ 1,451 | \$ 1,505 | \$ 5,376 |
| Insurance costs | \$ 417 | \$ 522 | \$ 563 | \$ 584 | \$ 2,086 |
| Travel and vehicle costs | \$ 1,671 | \$ 2,089 | \$ 2,256 | \$ 2,340 | \$ 8,356 |
| Rent and utilities | \$ 893 | \$ 1,116 | \$ 1,205 | \$ 1,250 | \$ 4,463 |
| Miscellaneous costs | \$ 7,125 | \$ 8,906 | \$ 9,618 | \$ 9,974 | \$ 35,623 |
| Payroll taxes | \$ 11,603 | \$ 14,504 | \$ 15,664 | \$ 16,244 | \$ 58,015 |
| Total operating costs | \$123,189 | \$153,987 | \$166,306 | \$172,465 | \$ 615,947 |
| EBITDA | \$ 98,671 | \$123,339 | \$133,206 | \$138,140 | \$ 493,357 |
| Federal income tax | \$ 31,193 | \$ 38,991 | \$ 42,111 | \$ 43,670 | \$ 155,965 |
| State income tax | \$ 4,726 | \$ 5,908 | \$ 6,380 | \$ 6,617 | \$ 23,631 |
| Interest expense | \$ 5,334 | \$ 5,235 | \$ 5,134 | \$ 5,031 | \$ 20,735 |
| Depreciation expense | \$ 4,196 | \$ 4,196 | \$ 4,196 | \$ 4,196 | \$ 16,786 |
| Net profit | \$ 53,222 | \$ 69,008 | \$ 75,385 | \$ 78,625 | \$ 276,240 |

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Profit and loss statement (third year)

| Quarter | Q1 | Q2 | Q3 | Q4 | 3 |
|---------------------------------|------------------|------------------|------------------|------------------|--------------------|
| Sales | \$694,643 | \$868,304 | \$937,768 | \$972,500 | \$3,473,215 |
| Cost of goods sold | \$435,066 | \$543,832 | \$587,339 | \$609,092 | \$2,175,330 |
| Gross margin | 37.4% | 37.4% | 37.4% | 37.4% | 37.4% |
| Operating income | \$259,577 | \$324,471 | \$350,429 | \$363,408 | \$1,297,886 |
| Expenses | | | | | |
| Payroll | \$ 79,674 | \$ 99,592 | \$107,559 | \$111,543 | \$ 398,368 |
| General and administrative | \$ 5,451 | \$ 6,814 | \$ 7,359 | \$ 7,632 | \$ 27,256 |
| Marketing expenses | \$ 20,839 | \$ 26,049 | \$ 28,133 | \$ 29,175 | \$ 104,196 |
| Professional fees and licensure | \$ 1,107 | \$ 1,384 | \$ 1,495 | \$ 1,550 | \$ 5,537 |
| Insurance costs | \$ 438 | \$ 548 | \$ 591 | \$ 613 | \$ 2,191 |
| Travel and vehicle costs | \$ 1,838 | \$ 2,298 | \$ 2,482 | \$ 2,574 | \$ 9,191 |
| Rent and utilities | \$ 937 | \$ 1,171 | \$ 1,265 | \$ 1,312 | \$ 4,686 |
| Miscellaneous costs | \$ 8,336 | \$ 10,420 | \$ 11,253 | \$ 11,670 | \$ 41,679 |
| Payroll taxes | \$ 11,951 | \$ 14,939 | \$ 16,134 | \$ 16,731 | \$ 59,755 |
| Total operating costs | \$130,572 | \$163,215 | \$176,272 | \$182,800 | \$ 652,859 |
| EBITDA | \$129,005 | \$161,257 | \$174,157 | \$180,608 | \$ 645,027 |
| Federal income tax | \$ 41,315 | \$ 51,644 | \$ 55,775 | \$ 57,841 | \$ 206,574 |
| State income tax | \$ 6,260 | \$ 7,825 | \$ 8,451 | \$ 8,764 | \$ 31,299 |
| Interest expense | \$ 4,925 | \$ 4,817 | \$ 4,707 | \$ 4,594 | \$ 19,044 |
| Depreciation expense | \$ 4,196 | \$ 4,196 | \$ 4,196 | \$ 4,196 | \$ 16,786 |
| Net profit | \$ 72,309 | \$ 92,774 | \$101,028 | \$105,213 | \$ 371,324 |

7.11 Three Year Cash Flow Analysis

Cash flow analysis (first year)

| Month | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---------------------------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Cash from operations | —\$ 7,581 | —\$ 3,305 | \$ 972 | \$ 5,248 | \$ 9,524 | \$13,801 | \$18,077 | \$22,354 |
| Cash from receivables | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Operating cash inflow | —\$ 7,581 | —\$ 3,305 | \$ 972 | \$ 5,248 | \$ 9,524 | \$13,801 | \$18,077 | \$22,354 |
| Other cash inflows | | | | | | | | |
| Equity investment | \$ 10,000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Increased borrowings | \$255,000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Sales of business assets | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| A/P increases | \$ 3,159 | \$ 3,159 | \$ 3,159 | \$ 3,159 | \$ 3,159 | \$ 3,159 | \$ 3,159 | \$ 3,159 |
| Total other cash inflows | \$268,159 | \$ 3,159 | \$ 3,159 | \$ 3,159 | \$ 3,159 | \$ 3,159 | \$ 3,159 | \$ 3,159 |
| Total cash inflow | \$260,578 | —\$ 146 | \$ 4,130 | \$ 8,406 | \$12,683 | \$16,959 | \$21,236 | \$25,512 |
| Cash outflows | | | | | | | | |
| Repayment of principal | \$ 1,318 | \$ 1,328 | \$ 1,338 | \$ 1,348 | \$ 1,358 | \$ 1,368 | \$ 1,378 | \$ 1,388 |
| A/P decreases | \$ 2,075 | \$ 2,075 | \$ 2,075 | \$ 2,075 | \$ 2,075 | \$ 2,075 | \$ 2,075 | \$ 2,075 |
| A/R increases | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Asset purchases | \$235,000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Dividends | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Total cash outflows | \$238,392 | \$ 3,402 | \$ 3,412 | \$ 3,422 | \$ 3,432 | \$ 3,443 | \$ 3,453 | \$ 3,463 |
| Net cash flow | \$ 22,185 | —\$ 3,549 | \$ 718 | \$ 4,984 | \$ 9,250 | \$13,517 | \$17,783 | \$22,049 |
| Cash balance | \$ 22,185 | \$18,637 | \$19,354 | \$24,338 | \$33,589 | \$47,105 | \$64,888 | \$86,937 |

Cash flow analysis (first year cont.)

| Month | 9 | 10 | 11 | 12 | 1 |
|---------------------------------|------------------|------------------|------------------|-------------------|------------------|
| Cash from operations | \$ 26,631 | \$ 30,907 | \$ 35,184 | \$ 39,461 | \$191,274 |
| Cash from receivables | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Operating cash inflow | \$ 26,631 | \$ 30,907 | \$ 35,184 | \$ 39,461 | \$191,274 |
| Other cash inflows | | | | | |
| Equity investment | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 10,000 |
| Increased borrowings | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$255,000 |
| Sales of business assets | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| A/P increases | \$ 3,159 | \$ 3,159 | \$ 3,159 | \$ 3,159 | \$ 37,902 |
| Total other cash inflows | \$ 3,159 | \$ 3,159 | \$ 3,159 | \$ 3,159 | \$302,902 |
| Total cash inflow | \$ 29,789 | \$ 34,066 | \$ 38,343 | \$ 42,620 | \$494,176 |
| Cash outflows | | | | | |
| Repayment of principal | \$ 1,399 | \$ 1,409 | \$ 1,420 | \$ 1,431 | \$ 16,482 |
| A/P decreases | \$ 2,075 | \$ 2,075 | \$ 2,075 | \$ 2,075 | \$ 24,897 |
| A/R increases | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Asset purchases | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$235,000 |
| Dividends | \$ 0 | \$ 0 | \$ 0 | \$133,892 | \$133,892 |
| Total cash outflows | \$ 3,474 | \$ 3,484 | \$ 3,495 | \$137,397 | \$410,270 |
| Net cash flow | \$ 26,316 | \$ 30,582 | \$ 34,848 | —\$ 94,778 | \$ 83,905 |
| Cash balance | \$113,253 | \$143,835 | \$178,683 | \$ 83,905 | \$ 83,905 |

Cash flow analysis (second year)

| Quarter | Q1 | 2 | Q3 | Q4 | 2 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| Cash from operations | \$ 58,605 | \$ 73,256 | \$ 79,117 | \$ 82,047 | \$293,025 |
| Cash from receivables | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Operating cash inflow | \$ 58,605 | \$ 73,256 | \$ 79,117 | \$ 82,047 | \$293,025 |
| Other cash inflows | | | | | |
| Equity investment | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Increased borrowings | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Sales of business assets | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| A/P increases | \$ 8,717 | \$ 10,897 | \$ 11,769 | \$ 12,204 | \$ 43,587 |
| Total other cash inflows | \$ 8,717 | \$ 10,897 | \$ 11,769 | \$ 12,204 | \$ 43,587 |
| Total cash inflow | \$ 67,323 | \$ 84,153 | \$ 90,885 | \$ 94,252 | \$336,613 |
| Cash outflows | | | | | |
| Repayment of principal | \$ 4,357 | \$ 4,455 | \$ 4,556 | \$ 4,660 | \$ 18,028 |
| A/P decreases | \$ 5,975 | \$ 7,469 | \$ 8,067 | \$ 8,365 | \$ 29,876 |
| A/R increases | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Asset purchases | \$ 14,651 | \$ 18,314 | \$ 19,779 | \$ 20,512 | \$ 73,256 |
| Dividends | \$ 41,024 | \$ 51,279 | \$ 55,382 | \$ 57,433 | \$205,118 |
| Total cash outflows | \$ 66,007 | \$ 81,518 | \$ 87,784 | \$ 90,970 | \$326,278 |
| Net cash flow | \$ 1,316 | \$ 2,635 | \$ 3,101 | \$ 3,282 | \$ 10,334 |
| Cash balance | \$ 85,221 | \$ 87,857 | \$ 90,958 | \$ 94,240 | \$ 94,240 |

AUTOMOTIVE DEALER

Cash flow analysis (third year)

| Quarter | Q1 | ³ Q2 | Q3 | Q4 | 3 |
|---------------------------------|------------------|--------------------|------------------|------------------|------------------|
| Cash from operations | \$ 77,622 | \$ 97,027 | \$104,790 | \$108,671 | \$388,109 |
| Cash from receivables | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Operating cash inflow | \$ 77,622 | \$ 97,027 | \$104,790 | \$108,671 | \$388,109 |
| Other cash inflows | | | | | |
| Equity investment | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Increased borrowings | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Sales of business assets | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| A/P increases | \$ 10,025 | \$ 12,531 | \$ 13,534 | \$ 14,035 | \$ 50,125 |
| Total other cash inflows | \$ 10,025 | \$ 12,531 | \$ 13,534 | \$ 14,035 | \$ 50,125 |
| Total cash inflow | \$ 87,647 | \$109,559 | \$118,323 | \$122,706 | \$438,235 |
| Cash outflows | | | | | |
| Repayment of principal | \$ 4,765 | \$ 4,873 | \$ 4,984 | \$ 5,097 | \$ 19,719 |
| A/P decreases | \$ 7,170 | \$ 8,963 | \$ 9,680 | \$ 10,038 | \$ 35,852 |
| A/R increases | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Asset purchases | \$ 19,405 | \$ 24,257 | \$ 26,197 | \$ 27,168 | \$ 97,027 |
| Dividends | \$ 54,335 | \$ 67,919 | \$ 73,353 | \$ 76,069 | \$271,677 |
| Total cash outflows | \$ 85,676 | \$106,012 | \$114,214 | \$118,372 | \$424,275 |
| Net cash flow | \$ 1,971 | \$ 3,547 | \$ 4,110 | \$ 4,333 | \$ 13,960 |
| Cash balance | \$ 96,211 | \$ 99,757 | \$103,867 | \$108,200 | \$108,200 |